



DEFENSE LOGISTICS AGENCY  
DEFENSE CONTRACT MANAGEMENT COMMAND  
8725 JOHNJ. KINGMAN ROAD, SUITE 2533  
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IN REPLY  
REFER TO

JUN 13 1996

AQOD

MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT “  
MANAGEMENT DISTRICTS  
DCMC CUSTOMER LIAISONS  
HEADQUARTERS, AQB & AQO TEAM CHIEFS

SUBJECT: Lessons Learned Highlight Reports

The attached ***Acquisition Strategy Lessons Learned*** have been compiled from the Lessons Learned Highlights submitted by DCMC field activities. Since those selected represent DCMC experiences that hold the greatest potential for improving acquisition strategies, they should be distributed to your Acquisition Strategy Panel participants.

The lessons learned span a wide range of topics and include successes as well as opportunities for improvement. Moreover, they stress the importance of better communication and early interaction between DCMC and others who are involved in the acquisition process. I recommend that you review the lessons learned for possible improvements within your organization and consider implementing those that will provide the greatest benefits to you and your customers.

As future submissions are received, they will be reviewed and disseminated as appropriate. Please contact Mr. Don Reiter, Contractor Capability & Proposal Analysis Team (AQOD), (703) 767-3407 or DSN 427-3407, if you require additional information.

ROBERT W. DREWES  
Major General, USAF  
Commander

Attachment



## FOREWORD

The following Acquisition Strategy “Lessons Learned” were selected from those submitted by Defense Contract Management Command (DCMC) field activities on the basis that they provide the best input and hold the greatest potential for improving acquisition strategies. While the lessons learned span a wide range of topics and include successes as well as opportunities for improvements, they all stress the importance of better communication and early interaction between DCMC and other acquisition personnel.

By disseminating this information, we hope you will be able to take advantage of this collected experience within your organization and improve service to your customers. Future lessons learned will be reviewed and distributed as appropriate.

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## **I. CONTRACT STRUCTURE**

## LESSONS LEARNED HIGHLIGHT

Category: DD 250 Rejections

Program: Contractor Payment

Lesson Learned: Contract CLINS are incorrectly structured at time of award which is creating DD 250 rejections and a delay in contractor payment.

Discussion: There are a large number of DD 250s rejecting because the current CLIN was incorrectly structured at time of award. Buying activities are using CLIN 0001 to identify the item purchased and then breaking the item down further into a SUBCLIN of 0001 AA, (no other SUBCLINs) which states the quantity ordered, unit of measure, unit price, and amount. Contractors are submitting DD 250s and invoicing using the SUBCLIN of 0001 AA. DFAS is processing the item in MOCAS as CLIN 0001. In order for the DD 250 to be processed and paid one of three things has to occur: (1) the Buying Activity must be requested to issue a mod to correct the contract to read CLIN 0001, (2) the contractor must be notified to correct the DD 250 to read CLIN 0001 and resubmit, or (3) the MOCAS database must be corrected to read 0001 AA. The latter is what CAOS have been doing in order to help the contractor get paid. This is not addressing the source of the problem.

Recommendation: The Buying Activities review their processes to identify if this is system generated. They should correct the process to structure CLINs/SUBCLINs in accordance with the DFARS Part 204- Administrative Matters, SUBPART 204.71- Uniform Contract Line Item Numbering System.

Submitted By: DCMC Phoenix, Donna L. Himes, (602)379-6170x140

## Lessons Learned Highlight

CATEGORY: Contract Line Item Identification

PROGRAM: Repair Orders

LESSON LEARNED: An incompatibility **often** exists between the way **contract line** items in repair orders are identified in the **contract**, and the way they must be input into **the MOCAS** system.

DISCUSSION: Contracts for repairs often **identify** line items of work at both the four digit (**Clin**) level (Example: 0010) and the six digit (**Subclin**) level (Examples: 0010AA and 0010AB). In some cases, different types of work are identified with the same six digit designator (Example: 0010AA Input Item and 0010AA Output Item). Limitations as to quantity are **often** given only at the four digit level, but apply to any combination of numbered **subclins** up that specified quantity.

DFAS input clerks are required to make initial **MOCAS** inputs only at the line item number levels for which a quantity is specified, which is often only at the four digit level; nevertheless, Contractors are required to submit and **identify** work **performed** on DD250s at the lowest line item level specified in the contract.

There is an obvious conflict created, often holding up payment to the Contractor, when **subclins** are specified by number in a contract without also **specifying** a corresponding quantity for that **subclin**.

**Recommendation:** Contracts should be written to **number** subclins only if **quantities** specific to each of those numbered **subclins** are also identified.

**Submitted By:** Data Integrity Group Lead: Nan Coleman (813) 579-3080. DCMC Clearwater.

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Author: "Riley, Thomas D." <bna6286@bostgolf.dcrb.dla.mil> at -GW2

Date: 4/10/96 10:21 AM

Priority: Normal

TO: donald reiter at ccpo07

Subject: Lessons Learned-Week Ending 29 March 1996

----- M e s s a g e     C o n t e n t s -----

Don

This is a resend of our 3 April submission. We heard your server was down during the period of 2-5 April.

Thorn Riley

From: Riley, Thomas D.

To: 'Reiter, Don'

Cc: McNary, William S. Cdr.; Perrier, Richard A.

Subject: Lessons Learned-Week Ending 29 March 1996

Date: Wednesday, April 03, 1996 3:33PM

CATEGORY: Payment Terms and Conditions

PROGRAM : Malaysian AN/ALQ-126B Support Equipment Spares Order

LESSON LEARNED: Poorly written Orders Result in Excessive Administrative Effort to Allow for Contractor Payment.

Discussion: A multiple line item order for spare parts was issued recently for several line items. These line items listed the end item as the line item and then identified all the spare parts being bought under each line item. The spare parts were numbered consecutively from 001 to 670 and crossed all end items in the order. The buying activity expected the contractor to bill each spare part individually as their delivery dates would vary depending on the availability of the items from vendors. However, in order to pay the

contractor at the spare part level, each item has to have one of the following:

a separate four digit line item number, a separate six digit sub-line item number, or a four digit exhibit line item number. These requirements are spelled out in the FAR. As written the order could not be entered properly into the MOCAS database to allow for proper tracking at the spare part level or for payment at that level either. A modification had to be written to revise the line items with spare parts lists in order to get them into the database. This was especially desirable as this was an FMS order for which NAVILCO tracks by MILSTRIP number assigned to each spare part.

RECOMMENDATION: Buying offices get CAO review of line item numbering system prior to order issuance if there is any question about the line item structure.

SUBMITTED BY: DCMC LOCKHEED MARTIN-SANDERS

R. PERRIER, ACO 603-885-4832

## LESSONS LEARNED HIGHLIGHT

**Category:** RFP “Scrub”

**Lesson Learned:** RFP requirements should be “scrubbed” to eliminate problems in numbering of ELINs.

**Discussion:** When multi-year **proposals** are written with data submittal requirements **in more than one year**, a check should be made to see that **ELINs** are properly identified in each year. We had an instance on **one high dollar** contract involving a lot of data **in** which the **ELINs** were identified identically in each year, i. e., AOO1, AO02, AO03, etc. They should have been numbered AOOI, etc. **in** year one, **B001**, etc. in year **two** and so on. The error was picked up **in** a Postaward. However, the **required changes** took an inordinate amount of time to be **corrected**.

**If** the error hadn’t been caught and corrected, shipments in the second year and **thereafter** would have been charged against the first year **ELINs** showing **overshipments** with subsequent years showing no shipments.

**Recommendation:** Include field level personnel **familiar** with **MOCAS** during **RFP** scrubs. Problems such as the one described above would be identified more readily.

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## **II. COMMERCIAL STANDARDS, SPECIFICATIONS, & PRACTICES**

## LESSONS LEARNED HIGHLIGHT

**Category:** Commercializing the Process for Repair of Military Components That Have Commercial Equivalents

**Program:** TF-34 Engine Component Repair

**Lesson Learned:** Allowing the use of **commercial** manufacturing processes for the repair of military components that have commercial **equivalents** can expedite the **repairs**.

**Discussion:** Repair of the **TF-34** engine **has** been **transitioned** to NADEP Jacksonville, FL due to the **closure** of the **Alameda** depot. During the transition, **repair** of several engine components has been contracted to General Electric (the **origin** **manufacturer** of the **TF-34** engine). We found that **the** technical data **had not** been updated which necessitated numerous waiver and deviation requests now that a commercial contractor has taken over component repair. We are dealing with the original manufacturer of the **TF-34** engine and they build a commercial equivalent engine (**CF-34**). The Government and Contractor agreed to **modify** the delivery orders to incorporate commercial manufacturing practices. The contractor has to meet the **limit** (no build [life limits], tolerance, dimension, and functionality) and **configuration** (form, fit, material, and part number) requirements of the **TF-34** technical data. No military standards or specifications are imposed on how **such requirements** are to be met. This contract modification has expedited repairs of the **TF-34** engine components.

**Recommendation:** Investigate the inclusion of commercial manufacturing processes (especially with the original manufacturers) for the manufacture or repair of **items** with commercial equivalents.

**Submitted By:** DCMC Wichita, Linda Dye, ACO, 316-269-7158

OPTIONAL FORM 90 (7-90)

FAX TRANSMITTAL

4-1-96  
# of pages 1

|                                  |                                     |
|----------------------------------|-------------------------------------|
| To<br><b>Don Reiter</b>          | From<br><b>Neva Reid, - Wichita</b> |
| Dept./Agency<br><b>DCMC-AQOD</b> | Phone #<br><b>316-269-7147</b>      |
| Fax #<br><b>703-767-2379</b>     | Fax #<br><b>316-269-7045</b>        |

NSN 7540.01-317-7388

5080-101

GENERAL SERVICES ADMINISTRATION

II

Category: Commercial Off The Shelf (COTS) Equipment

Program: Consolidated Automated Support System (CASS)

Lesson Learned: Newer and faster is not always better, especially for electronic components.

Discussion: Hewlett-Packard (HP) integrates a series of (COTS) test instruments into one rack of the CASS. Over the period of April 1994 to April 1995, Hewlett-Packard redesigned an Integrated Circuit (IC) that is part of their proprietary Measurement Systems Interface Bus (MSIB) due to a parts obsolescence issue. The MSIB allows all of the HP instruments to "talk" to each other and in turn to the CASS communications bus. After tracking significant failure increases in HP assets for about one year, it was found that the new and improved MSIB IC caused numerous HP assets to fail test when integrated into the CASS Station. The root cause of these failures took over one year to determine and track back to the MSIB IC. The redesigned IC ran faster than the one it replaced causing the HP Mainframes and the CASS Station to occasionally lose any ability to communicate.

Recommendation: Be certain that COTS suppliers adequately track changes to design, analyze the impact of those changes, and assure that the supplier has an Acceptance Test Plan (ATP) that adequately simulates integration into your system.

Submitted By: DCMC Lockheed Martin Orlando, Alan Waldrop, (407) 356-9212

## LESSONS LEARNED HIGHLIGHT

Category: Development of Statement of Work & Specifications

Program: USAF MQM 107E Target Missile Drones

**Lesson Learned:** By meeting with the Buying activity (army MICOM), end user/customer (USAF-Tyndal AFB, FL), USAF Program Office (AFMC/ASC-Eglin AFB, FL), and the contractor (Raytheon Aircraft) we were able to help prepare a useable "commercial type" missile specification in support of a USAF emergency buy.

**Discussion:** MQM 107E subsonic target drone missiles have been used by the US Army, US Air Force, and foreign nations for over 20 years for target practice and weapons systems development. Raytheon had produced many variations over the years but they were currently out of production because the Army awarded a follow-on production contract to another contractor. The new contractor had never produced these before and was unable to produce the drones in a timely manner using government owned drawings. In the meantime, USAF stock of existing drones was running low and they asked Army MICOM to support an emergency buy to keep critical USAF weapons development programs going. Since the production line had ceased at Raytheon and some parts were no longer available, an expedited specification and drawing review was accomplished as a joint effort between the Buying activity, user/customer, contractor and DCMC Wichita. The team produced a useable "commercial type" missile specification which resulted in an updated, upgraded, and rapidly producible missile to support the USAF emergency buy requirements. The refinements included lessons learned from foreign commercial sales.

**Recommendation:** involve all interested parties early in acquisitions similar to integrated Product Team concepts.

Submitted by: DCMC Wichita, Mike Winward, QAR, (316) 676-3317

|                   |              |         |              |            |   |
|-------------------|--------------|---------|--------------|------------|---|
| Post-it® Fax Note | 1015<br>7671 | Date    | 4-8-96       | # of pages | 2 |
| To                | Don Reiter   | From    | Neva Reid    |            |   |
| Co./Dept.         | DCMC-AQOD    | Co.     | DCMC Wichita |            |   |
| Phone #           | 703-767-3407 | Phone # | 316-269-7147 |            |   |
| Fax #             | 703-767-2379 | Fax #   | 316-269-7045 |            |   |

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uthor: "Riley, Thomas D. " <bna6286@bostgolf.dcrb.dla.mil> at ~GW2  
ate: 4/12/96 10:27 AM  
Priority: Normal  
TO: donald reiter at ccpo07  
CC: bna4364@bostgolf.dcrb.dla.mil at ~gw2  
CC: bna6277@bostgolf.dcrb.dla.mil at -gw2  
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CC: bnd6261@bostgolf.dcrb.dla.mil at -gw2  
CC: bnd6280@bostgolf.dcrb.dla.mil at ~gw2  
CC: bnd6282@bostgolf.dcrb.dla.mil at -gw2  
Subject: Lessons Learned-Week Ending 5 April 1996  
----- Message Contents -----

**Category: Commercial Standards**

Program: Early CAS

Lesson Learned: The System Engineering Capability Maturity Model (SECMM) Assessment Method (SAM) requires modification before DoD can use it for effective source selection.

Discussion: One contractor has already received an RFP requesting the contractor to be at a specific SECMM level. The SECMM is not a staged model. The result of an assessment is a capability profile with a level determined for each of the 18 process areas. An RFP should request a potential capability level profile of the 18 process areas rather than a single general level. The current version of the SAM would not be appropriate for source selection. Specific areas include: Capability Level Profile, Objective Evidence, Findings, Feedback Sessions, Practitioner Interviews, and Managing Records. The SECMM and the SAM are appropriate for DCMC use for process improvement in a PROCAS environment. Both the model and the method would serve as good tools for use in systems engineering surveillance.

Recommendation: Develop a standardized assessment method based on the current SECMM for use in source selection. SECMM and SAM training is beneficial for DCMC personnel involved in risk mitigating system engineering process improvement under PROCAS.

Submitted By: DCMC Lockheed Martin Sanders, Lisa Ming, (603) 885-3539

**INTER-OFFICE MEMORANDUM**  
**HARMARVILLE OPERATIONS TEAM**

DCMDE-GPOB (R. Blose/412-820-3139)

2 April 1996

Subject: Lessons Learned Highlights

To: Stephen Lisy

Reference: DLA letter 8 March 1996

Lesson Learned **Highlight**

Category: Time and Materials Refurbishment Effort

Program: M109A2 Howitzer

Lesson Learned: To assure on time deliveries, authorization for local commercial purchases should be permitted in addition to the MILSTRIP SYSTEM in support of refurbishment efforts.

Discussion: Due to the recent BRAC closings, program funding reductions, and priority contract allocations, the Government Procurement System must adapt to the realization that the mode of contractual business is to refurbish rather than buy new defense program equipment. Also, more of the refurbishment effort will likely be performed by the private/commercial sector rather than the Government.

In DCMC Pittsburgh's recent experience, a refurbishment contractor was seriously impacted due to lack of MILSTRIP supply parts and the authority to locally purchase commercial parts. This caused delay in deliveries, increased costs, and delay claims due to material shortages and work arounds.

Based on our time and materials refurbishment contract lessons learned, the contractors role is to refurbish and the Government's role is to supply the necessary parts. The supply of parts should be done via an upgraded MILSTRIP System and by granting contractual authorization to the contractor for local commercial purchases. These contract improvements could be part of an Early CAS initiative and the local purchase authority should be integrated contractually into the awarded contract. Any ambiguities could be clarified during a post award.

Recommendation: Upgrade the MILSTRIP System and grant contractual authority to contractors for local commercial purchases in support of refurbishment efforts.

Submitted By: DCMC Pittsburgh (GPOB)  
Ray Blose (412-820-3139)  
Tim Singleton (412-820-3136)

## LESSONS LEARNED HIGHLIGHT

**Category:** Commercial Item Rights in Technical Data/Warranties

**Program:** Airborne Laser Program (ABL) and Non-Developmental Airlift Aircraft (WDAA)

**Lesson Learned:** DCMC early CAS activity can benefit other programs purchasing similar items.

**Discussion:** Contractor claimed exclusion from DFARS policy governing-acquisition of technical data and requirements and Government use of that data, contractor represented as to its private development of model 747 aircraft pertaining to Government rights and data on both the early 1994 ABL and early 1995 NDAA programs requests for proposals (RFPs). A 1994 review of contractor representation under DoD Federal Acquisition Regulations Supplement (DFARS part 227 and 252) performed for ABL Program Office by DCMC field activity solved the issue for both programs- Subsequent Federal Acquisition Streamlining Act (FASA) procurement reforms concerning purchase of commercial items has clarified and simplified policy in this area.

**Recommendation:** Programs utilizing aircraft platforms should contact field activities at the earliest possible time to obtain factual support for critical acquisition streamlining decisions

**Submitted By:** ROBERT G. INGRAM, Chief, Technical Assessment Group, DCMDW-RBT  
05 Apr 96

### **III. FIRST ARTICLE REQUIREMENTS**



## DCMC THIOKOL LESSONS LEARNED HIGHLIGHT

CATEGORY: Contract Requirements

PROGRAM: Army Flares Purchased by Successive Contracts

LESSON LEARNED: Contract **requirements** must be analyzed to ensure that **they** are meaningful requirements and not simply a business as usual requirement.

DISCUSSION: Flare contracts are awarded to design, build, and test **new** types of flares. These initial contracts require first article tests and lot acceptance tests for the first production run. Subsequent contracts for flares previously tested and proven through first article tests and **field** use also contain a requirement for first article tests. These first article test requirements on proven flare designs are redundant and costly and should be eliminated.

RECOMMENDATION: Thoroughly analyze the requirements contained in a contract to ensure that they are valid requirements. Consider buying subsequent products “off the shelf”.

SUBMITTED BY: DCMC Thiokol, Capt Ron Peterson, (801) 863-4397.

**LESSONS LEARNED HIGHLIGHT**

**CATEGORY** First Article Contract Requirements

**PROGRAM:** Communications Mode Selector

**LESSONS LEARNED:** Review Contractor's capabilities before imposing First Article Requirements

**DISCUSSION:** A contract (DAAH01-95-G-01 60) was recently awarded to AlliedSignal, Towson, MD which contained the requirement to perform First Article Testing on two units of the 112 Production quantity. The production unit cost is \$10,000. The cost of First Article Testing is \$129,000 per unit. The First Article Test consists of 24 hour temperature cycling, shock and vibration. Research revealed that AlliedSignal had produced these units satisfactorily in the past (about 3 years ago), and is currently producing similar units. When questioned about the imposition of First Article requirements in view of the Contractor's history, the buying activity considered only the fact that it had been more than a year since the contractor had produced the item, plus poor quality history had been exhibited on a non-similar item. The contractor's present capabilities were not considered.

**RECOMMENDATION:** Buying activities should utilize the services of local DCMC offices to "Pre-Award Survey" Contractors to avoid unnecessary First Article costs.

**SUBMITTED BY:** DCMC AlliedSignal, Harry Vick, 201-3934672

#### **IV. PAYMENT TERMS & CONDITIONS**

## LESSONS LEARNED HIGHLIGHT

**Category:** Payment Terms and Conditions

**Program:** AFATDS (For Our Info: DAAB07-90-C-E708)

**Lesson Learned:** A single Accounting and Appropriation (ACRN) should not be used for multiple contract types on the same contract.

**Discussion:** In this case, a single Accounting and Appropriation (ACRN) was used to provide funding for Firm Fixed Price, Time and Material, and Cost Plus effort. When the contractor submitted his invoices, DFAS was confused on how the funds should be utilized and did not always pay correctly. When later Time and Material and Cost Plus billings were submitted, DFAS records reflected there were no funds available on that ACRN and returned the invoices to the contractor. The DCMC Contract Administrator had to reconcile the ACRN and apportion the funds correctly to the contract type and line item so that DFAS could identify the correct payment allocation.

**Recommendation:** The PCO should not assign more than one contract type to a single Accounting and Appropriation data (ACRN).

Submitted by: DCMC Indianapolis-Magnavox, Hollis K. Friedrich, 219-429-8269.



DEFENSE LOGISTICS AGENCY  
DEFENSE CONTRACT MANAGEMENT COMMAND  
PEMCO AEROPLEX BIRMINGHAM  
F, C), BOX 12447  
BIRMINGHAM, AL 35202-2447

IN REPLY  
REFER TO: DCMDE-RKOB

April 4, 1996

MEMORANDUM FOR MR. DON REITER, AQOD

SUBJECT: Early CAS Lessons Learned

DCMC Pemco had an administrative no-value-added difficulty with the number of ACRNs on the Warner Robins ALC contract for C-130 PDM. The high number of ACRNs (over 200) resulted in over 600 PCO modifications and over 2000 ACO modifications for a single five year program. We had sought change for several years to a simpler format utilized by Oklahoma City ALC on their KC-135 PDM with no success.

When Pemco was successful in winning the follow-on KC-135 PDM contract, it was awarded with the high ACRN requirement, and with a line item for the contractor's effort to provide the higher level ACRN accounting. OC-ALC stated they had no alternative to adopting the high ACRN requirement because it was mandated by higher headquarters, but wanted to appeal the requirement if we could provide supporting data. The DCMC provided data detailing the non-value added administrative difficulty, to include the reconciliation/audit problems at the DFAS level. OC-ALC was successful in their appeal, and the contract was amended to a format utilizing four ACRNs per year on a contract with a total of seven performance years if all options are exercised. The DCMC Pemco continues its effort to simplify administrative effort with Warner Robins ALC, and believe they may be successful in obtaining authority to utilize the simpler ACRN format on the next C-130 PDM, currently under competition.

  
ROBERT M. ERHART  
Operations Group Supervisor



## LESSONS LEARNED HIGHLIGHT

**Category:** Contract Administration

**Program:** M1/M1A1.M1A2 TWGSS/PGS

**Lesson Learned:** Assist the Buying Activity with modifying contracts that would create Paying office problems if not modified.

**Discussion:** After reviewing contract for the subject program it was noted that multiple Accounting Classification Reference Numbers (ACRNs) per Contract Line Item Number (CLIN) were present. Knowing that this would create payment problems in the future, this office communicated with the buying activity and suggested that this CAO modify the contract in order to prevent possible future payment problems. The Procuring Contracting Officer gave authorization to this office to modify the contract, thus being proactive in the prevention of future payment problems.

**Recommendation:** That CAOS aggressively pursue cooperation from the Buying Activities in order to obtain authorization to modify contracts that have the potential of creating payment problems.

**Submitted by:** DCMAO Brussels, Ronald V. Elizondo, 011-322-648-5375.

### LESSONS LEARNED

**CATEGORY:** Writing Contracts, Accounting and Appropriation Data

**PROGRAM:** Various Programs, (this situation applicable to DPSC Medical equipment).

**LESSON LEARNED:** Improperly/incorrectly formatted Accounting and Appropriation Data causes delays in payment to contractors.

**DISCUSSION:** Virtually all contracts issued by DPSC to Picker International Inc., have improperly/incorrectly formatted accounting and appropriation data. DFAS will not enter the contract/PO into MOCAS until the accounting citation discrepancy is corrected. If several funding cites are shown in a contract, the contract may be established in MOCAS but the CLINS relating to the "problem" funding cite will not be entered. The result is that the contractor ships product or performs the service specified in the contract but payment will not be made ... even if the Government has made formal acceptance and the contractor's invoice is good. We have worked aggressively with the DPSC contracts personnel to clean up the contracts before distribution ... this has had little success. Post award administration action (ACO Mods) has, in part, resolved several persistent fund cite discrepancies.

However, in a recent e-mail communication, DFAS-CO advises that it will no longer recognize ACO issued modifications which correct such accounting fund cite irregularities. Rather, in accordance to stated DFAS policy, a DD Form 1716 will be issued by DFAS thru the ACO to the PCO to resolve. Since the DPSC PCO, as a rule, has not been responsive, it is not likely that root cause corrective action will be initiated.

As a final comment, DPSC advises that the funding cites are given to them by the Requiring Activity (end user) and are exactly transcribed into the contract. Therefore, no corrective action can be expected from DPSC who sees itself as merely a go-between and not the source of corrective action or additional information.

#### RECOMMENDATION:

- (1) DFAS needs to rescind its policy of not recognizing ACO modifications which are issued to address accounting errors. DFAS's policy undermines DCMC's ability to better serve its customers.
- (2) End users (those issuing purchase requisitions) do not follow their own accounting and appropriation format procedure ... each military department has unique sequencing for funding cites. Buying Activities and/or end users need to assign ACRNs as prescribed in DFARS 204-7107.

**SUBMITTED BY:** DCMC Cleveland, Kenneth Freeze, DCMDE-GZOB, (216) 522-5385

## LESSONS LEARNED HIGHLIGHT

category: **Payment Terms and Conditions**

Program: *Services and materials necessary to perform the storage and warehousing operations, and motor vehicle operation and maintenance functions at the Training Center (NTC), Great Lakes, IL.*

Lesson Learned: Early involvement with PCO is essential for efficient post award administration

**Discussion:** Contract was awarded using months as a unit of issue. The contractor requested that he be allowed to bill twice a month. PCO gave the ACO authority to change unit of issue from months to lots. After each mod was done by the ACO, if another action needed to be done by the PCO (adding new labor rates from the Department of Labor, adding new work with price changes, etc.), The PCO would revert back to the way the contract was first awarded and ignored the modifications issued by the ACO. This in turn required another modification by the ACO to allow the contractor to bill twice a month. As new rates changed because of changes in the Department of Labor wage recommendations, the PCO would just increase the unit price instead of establishing a new contract line item with the new price. The PCO would also award incentive fees but not fund the incentive fee. ACRNs were not consistent when PCO funded an action. Payment problems occurred when DFAS was taking the monies obligated for the option year and paying the previous years incentive fee. Contractor started experiencing problems getting paid and invoices were rejected by OFAS. The Contract Administrator did a desk reconciliation and compared it to what MOCAS was showing as being obligated. The following problems were encountered: (A) Different ACRNs were used for the same type work, but CLINs were not identified as to what items were to be changed to what ACRNs. (B) PCO was awarding incentive fee awards but not funding them. (C) DFAS was taking money from the next year to pay off the previous years "Voices. The Contract Administrator forwarded the results of the desk audit to the reconciliation section at DFAS and worked closely with a accounting technician to see how the problems could be resolved and stop the contractor from experiencing payment problems. After both DFAS and the Contract Administrator determined what needed to be done to correct the problems, a letter was written to the PCO requesting additional funds for the incentive fees that were paid, realigning the ACRNs on the contract or identifying which work was to be issued under what ACRNs. The PCO forwarded our information to the buying activity's finance office for reconciliation. The Finance Officer contacted the Contract Administrator and is working to resolve the issue. In the meantime, the PCO has issued two other modifications using different ACRNs and different prices on line items already established. The Contract Administrator has not yet determined how these modifications are going to impact the contractor.

**Recommendation:** Better communications with the PCO to help each other understand the problems being encountered as a result of the modifications being issued.

Submitted By: DCMC San Antonio, Jackie Newton (210) 229-4660



## LESSONS LEARNED HIGHLIGHT

**Category:** AcquisitionReform

**Program:** Small Business Innovative Research (SBIR), PHASE I

**Lesson Learned:** Phase I contracts under the SBIR program are not conducive to providing customary progress payments, because these types of contracts generally have a performance period of six months and contract price of under \$100,000.

**Discussion:** FAR 32.502-1 states that the Contracting Officer generally should not provide for progress payments on contracts of less than \$1,000,000 unless 1) the contractor is a small business concern and the contract will involve approximately \$1 00,000 or more; or 2) the contractor will perform a group of small contracts at the same time and the total impact on working capital is equivalent to a single contract of \$1,000,000, or more. These restrictions are recommended to reduce undue administrative effort and expense for both the Government and the contractor on contracts which would benefit very little from the use of progress payments.

When these types of contracts are awarded with the progress payments clause, by the time the ACO has completed reviewing the contractor's systems for adequacy (e.g., accounting system), the contract has usually progressed significantly and the contractor will generally only benefit from progress payments a couple of months.

When these types of contracts are awarded to small business concerns who need financial assistance from the Government, the contract is jeopardized from the beginning because of the contractor's lack of working capital.

**Recommendation:** Do not include the progress payment clause in SBIR Phase I contracts. Include instead a mechanism for the contractor to bill during performance of the contract, e.g., milestone billing.

**Submitted By:** DCMC San Antonio, Justina S. Hamberg, (713) 718-3602

**LESSONS LEARNED HIGHLIGHT**  
**DCMC GE LYNN**

**Category:**     **Payment term & Conditions**

**Program:**     **T-700 Helicopter Engine**

**Lesson Learned:** Proper contract line item structure for advance acquisition funding is crucial to the payment process.

**Discussion:** The Army procurement office that was executing a multiyear buy of T-700 helicopter engines had no previous experience with DFAS Columbus as the payment office. There was a requirement for advance acquisition funds due to the long lead times involved with procuring some of the forgings and component parts. The contract line items for these funds were established as Lots for each fiscal year buy. Since money is not a deliverable, payment problems were encountered when engines were delivered. Considerable time and effort was expended by the CAO, procurement office and DFAS to correct the problem.

**Recommendation:** The DCMC CAO should carefully review the line item structure during the RFP phase and coordinate with DFAS to make sure all payment requirements are met

**Submitted by:** DCMC GE Lynn, Robert Campbell, (617) 594-1600

### ***Early CAS Lessons Learned***

***Category:*** Acquisition Reform

***Program:*** Airborne Laser (ABL)

***Lesson Learned:*** Buying commercial products often requires alternative payment methods.

***Discussion:*** During review of the ABL program concept proposal, it was noted that normal progress payments were called out for acquisition of the 747 aircraft to be used as the system platform. This type of payment is not compatible with the Boeing Commercial Airplane Group's normal billing practices. The uses of DoD progress payment procedures would require changes to their accounting and documentation systems. These changes would raise costs and impede the benefits of using commercial products/methods. The review team was able to work out a payment method that was compatible with the commercial system.

***Recommendation:*** Each commercial buy should be examined to determine its impact on business systems. The government's risk and the manner in which commercial customers do business need to be considered in developing a management approach.

***Submitted By:*** DCMC Boeing Seattle, Robert Rust, (206) 773-7098

V. **TYPE OF CONTRACT FOR GIVEN EFFORT**

**LESSONS LEARNED HIGHLIGHT**

Category: Subcontract Management

Program: Navy Active and Reserve Recruiting Program

**Lesson Learned:** Privity of Contract does not always guaranty a constant and earnest effort to accomplish what is undertaken between the prime and subcontractor.

**Discussion:** In a recent independent assessment by DCMC New York for the Commander, Navy Recruiting Command, a team of functional experts reviewed the unsatisfactory subcontract performance of a company placing newspaper ads for a major full service advertising agency. The advertising agency and prime contractor was awarded a \$160 million CPFF contract, while the subcontractor performed on a FFP basis. When the subcontractor encountered financial difficulty in placing the required recruitment ads, the prime recommended increasing the FFP insertion price, which reverted back to the Navy through the cost plus prime contract. Despite privity between the prime and subcontractor, a question of motivational responsibility of the prime persists. What is the incentive of the prime in a cost type environment to effectively manage subcontract costs, when all increased costs are passed along to the Buying activity?

**Recommendation:** Changing the contract type from a cost-plus vehicle to an incentive\* type contract would motivate the prime to effectively manage subcontract costs by increasing the profit formula.

**Submitted By:** DCMC New York, Rudy R. Motla, (718) 390-1022

\* or award fee

## **VI. WARRANTIES**

LESSONSLEARNED *HIGHLIGHT*  
**DCMC** GE LYNN

category: **Warranty**

**Program:** F414 Engine for F/A-18 E/F

**Lesson Learned:** A well defined warranty at contract award can prevent future legal problems.

**Discussion:** We have been working very closely with the customer and the company to refine the warranty language in the preaward stage to make sure the Navy customer is getting the appropriate warranty coverage for the Low Rate Initial Production (LRIP) buy of F414 engines and to minimize the possibility of future litigation. By using the Tri-Service Warranty language as a guide and focusing on the appropriate essential performance requirements, a comprehensive warranty should be in place by contract award. Special attention was also given to clearly defining terms within the warranty for ease of undemanding. Also, the experience from the litigation and warranty breaches under the existing F404 engine production contract was used to vastly improve the warranty arrangement.

**Recommendation:** The DCMC CAO should participate in developing warranty language during the preaward phase to make sure the customer gets the appropriate coverage and mitigates future risk,

**Submitted by:** DCMC GE Lynn, Robert Campbell, (617) S94-1600

## LESSONS LEARNED HIGHLIGHT

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**Category:** Warranties

**Program:** F-18 and other Aircraft Programs

**Lesson Learned:** Warranties are not necessarily worth the money we pay for them.

**Discussion:** The warranty on the F-18 is only in effect until we sign the DD 250. After that point, the customer has a six month notification period. Basically what that means is if they find a defect that existed when the aircraft was delivered and they can prove it, it will be warranted. We have had instances where something was reported through the PQDR system and forwarded to the contractor for action, but this was not considered to be notification for warranty purposes. The way the notification occurs can also impact the warranty. The bottom line is if something goes wrong after the DD Form 250 is signed, it is not necessarily covered. While we have been successful here in getting problems corrected and/or items replaced without cost to the government, this is not how the warranty clause is written. Notification can also be a problem.

**Recommendation:** Delete warranties or make them meaningful. Adopt the commercial warranty process.

**Submitted By:** DCMC McDonnell Douglas St. Louis, Ms Sandy Salamone, (314) 233-4217.